

Amendments to the Specification:

Please replace the paragraph beginning on page 1, line 5, with the following amended paragraph:

This application ~~is a continuation of U.S. Application No. 09/347,949, filed July 6, 1999, entitled "Auctioning System and Method For Pricing And Allocation During Capital Formation," now allowed, which~~ claims priority to provisional application number ~~No. 60/139,511~~, filed on June 15, 1999, entitled "Auction System and Method for Pricing and Allocation During Capital Formation," ~~by inventor William R. Hambrecht, resident of San Francisco, California and to~~ [[a]] provisional application ~~No. 60/140,293~~, filed on ~~July June~~ 18, 1999, ~~Attorney-Docket number 422233000200~~, entitled "Auction System and Method for Pricing and Allocation During Capital Formation," ~~by inventor William R. Hambrecht, resident of San Francisco, California~~

Please replace the paragraph beginning at page 2, line 15, with the following amended paragraph and:

Figures ~~2A and 2B are~~ is a pictorial ~~illustrations~~ of the process of opening a brokerage account in accordance with a presently preferred embodiment of the invention.

Please replace the paragraph beginning at page 2, line 17, with the following amended paragraph:

Figures ~~3A and 3B are~~ is a pictorial illustrations of the process of setting up a "deal" for the underwriting of securities in accordance with a presently preferred embodiment of the invention.

Please amend the paragraph beginning at page 2, line 20, as follows:

Figures ~~4A and 4B are~~ is a pictorial illustrations of the process of setting up a "deal" for the underwriting of securities in accordance with a presently preferred embodiment of the invention.

Please amend the paragraph beginning at page 3, line 11, as follows:

Figures 12A and 12B ~~are is an~~ illustrative flow ~~diagrams~~ of a possible User interaction with a transaction server and auction server of a present embodiment of the invention.

Please delete the paragraph beginning at page 3, line 17, that states in its entirety "best mode for carrying out the invention".

Please amend the paragraph beginning at page 16, line 9, as follows:

Qualified investors who will be submitting bids must also register at the bid site and provide information that identifies them as a qualified bidder (e.g., SEC registration numbers, appropriate membership numbers, institutional identifiers, or account information[, etc.])). They also may be required to send via secure e-mail with digital signature a message that confirms their bid registration. Bidder ~~enoyers~~ computers may be equipped with an agreed-upon security system for sending and receiving encrypted messages.

Please amend the paragraph beginning at page 21, line 16, as follows:

Furthermore, when a user submits a bid through a web connection, the account information computer system 118 attaches account information associated with the user to auction bid information contained in an auction database 112-1, 112-2. In this matter, a user bid is associated with a user account and with any auction parameters that may have been set in connection with the auction on which the bid is made. A bid message is created by the account information computer system 118. The bid message is transmitted via a network connection ~~423~~ 120-3 to an auction server 126. The Auction site server 126 executes an algorithm to determine the allocation of shares in the offering. The price and allocation information may be communicated via a message on a network connection 120-3 back to the account information computer system 118. For example, such message may indicate share price and share allocation for any given customer. The computer system 118 associates auction share price and each customer's allocation to the customer's account. It also reports that information to the first and second auction databases 112-1, 112-2. The first and second auction databases 112-1, 112-2 are synchronized databases such that each contains identical information. In this manner, the account information computer system 118 places "fills" into a customer account if in fact the

customer's bid has been successfully accepted. An administrative terminal 128 and a Customer Service Representative Terminal 130 may access the account information computer system 118. Alternatively, they may access the transaction server 100 interface via a direct network connection 132-1, 132-2 or via an ~~internet~~ Internet connection 134 as illustrated.

Please amend the paragraph beginning at page 22, line 10, as follows:

Referring to the illustrative ~~drawing~~ drawings of ~~Figure 2~~ Figures 2A and 2B, there is shown a pictorial illustration of the process of opening a brokerage account. Bids for the purchase of securities over a network such as a computer network like the Internet may be submitted through such a brokerage account. Accounts may be opened using any of numerous services. For instance, an underwriter customer 200, a brokerage customer service 202 or an auction administrator service 204 each may be employed to open an account. It will be appreciated, that the account opening services described in connection with ~~Figure 2~~ Figures 2A and 2B are of the general type that would be employed by retail customers. Institutional customers, for example might have accounts opened by telephone through a service agent. The information gleaned through these services, for example, is entered for use by the account information computer system 118. Moreover, it will be appreciated that the types of information that is gleaned from customers in connection with the opening of an account may be obtained through an on-line connection, such as an ~~internet~~ Internet connection. However, often it will be a requirement that the customer print out a document setting forth the information required for the opening of the account. This document will have to be signed and mailed or otherwise delivered to an entity that may open the account by assigning a user ID and a PIN number to the customer.

Please amend the paragraph beginning at page 23, line 7, as follows:

The illustrative drawings of ~~Figure 3~~ Figures 3A and 3B show in general the process for setting up a deal. A deal, as the term is used in this section, refers to a particular underwriting of securities. The auction administrator sets up the appropriate transaction information in the transaction server 100 and the auction server 126. This includes entering deal information which

may include information such as the symbol used to designate the company. For instance, a NASDAQ style symbol may be employed. It also may include parameters such as the proposed price range for the deal, the number of shares expected to be sold, the time frame for the deal such as the expected opening date and closing date of the deal and special parameters associated with the deal such as a limit as to the number of shares in the offering that any given person or institution may purchase. For instance, there may be a limitation that no person or institution may purchase more than 10% of the offering. The deal information employed on the transaction server 100 must be the same as that used on the auction server 126.

Please amend the paragraph beginning at page 24, line 9, as follows:

The illustrative ~~drawing drawings~~ of ~~Figure 4 shows~~ Figures 4A and 4B show in general terms the process for closing a deal. It will be appreciated that, in accordance with a presently preferred embodiment of the invention, a prospectus pertaining to a transaction that is the subject of an auction may require approval by the SEC. If so, the transaction generally cannot become "effective" until the SEC approves the transaction. It is not uncommon for a transaction's prospectus to go through numerous changes between the time it is initially submitted to the SEC and the time that the SEC finally approves the prospectus and permits the transaction to become effective. In general, once the SEC approves a transaction, the transaction may become "effective". Ordinarily, once the SEC approves the transaction, the underwriter and the issuer company execute an underwriter agreement in which the issuer company approves the sale of securities by the underwriter at an agreed upon price. In accordance with a present embodiment of the invention, the agree upon price of securities to be sold by the issuer is established through an auction process of the general type described herein.

Please insert the following new paragraphs beginning at page 65, line 9:

Referring to Figures 12A and 12B, there is shown an example of a user interaction with a transaction server and an auction server.

Figure 13 illustrates an example of an order settlement process.

Figure 14 shows a business flow process for pricing and allocating shares.

Applicant : William R. Hambrecht et al.
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Please add the Abstract as shown on a separate sheet attached hereto.